CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 26, 2001

S. 1246
Emergency Agricultural Assistance Act of 2001

As ordered reported by the Senate Committee on Agriculture, Nutrition, and Forestry on July 25, 2001

SUMMARY

CBO estimates that enactment of this legislation would increase direct spending by $7.441 billion over the 2001-2006 period, primarily from the Commodity Credit Corporation (CCC) to benefit agricultural producers and others. Because the bill would increase direct spending, pay-as-you-go procedures would apply.

The bill contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). State, local, and tribal governments would probably receive some of the assistance authorized by this bill. Any costs these governments might incur to comply with conditions of this assistance would be voluntary.

S. 1246 would impose a private-sector mandate as defined by UMRA on certain tobacco producers. CBO estimates that the direct cost of the mandate would fall well below the annual threshold established by UMRA for private-sector mandates ($113 million in 2001, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of the bill is shown in the following table. The costs of this legislation fall within budget functions 350 (agriculture), 450 (community and regional development), and 600 (income security).

	By Fiscal Year, in Millions of Dollars					
	2001	2002	2003	2004	2005	2006
CHANGES IN DIRECT SPENDING[a]						
Estimated Budget Authority	5,500	1,976	18	0	0	0
Estimated Outlays	5,500	1,576	201	113	28	23

a. Implementing this legislation also would affect spending subject to appropriation, but CBO has not completed an estimate of those costs.

BASIS OF ESTIMATE

CBO estimates that enactment of this legislation would cost $7.441 billion over the 2001-2006 period—$5.5 billion of which would occur in fiscal year 2001, assuming that the bill is enacted in early August. Most of these funds would be for market loss assistance payments to producers under title I. Titles II through VII would provide funds for programs concerned with conservation, nutrition, farm credit and rural development, research, and disaster assistance. Implementing this bill also would affect spending subject to appropriation, but CBO has not completed an estimate of those costs.

Title I would authorize the Secretary of Agriculture to use the Commodity Credit Corporation to make $6.763 billion available to agricultural producers over the 2001-2003 period. Most of these funds would go directly to producers who were eligible to receive the assistance provided in the Agricultural Risk Protection Act of 2000 (Public Law 106-224) and the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2001 (Public Law 106-387). The bill would require that $5.5 billion in expenditures be made prior to September 30, 2001. Under the bill, the remaining funds are, to the extent practicable, to be obligated and expended prior to September 30, 2002.

In addition to the $5.5 billion in market loss assistance to producers of feed grains, wheat, cotton, cottonseed, and rice, to be paid prior to September 30, 2001, title I also would provide $961 million in 2002 for producers of oilseeds, peanuts, sugar, honey, wool and mohair, cottonseed, pulse crops, tobacco, and apples. The bill would make all producers of certain commodities eligible for loan deficiency payments. CBO estimates that this provision would cost $40 million. The bill would extend the current dairy price support program through December 3, 2002, and we estimate this would cost $42 million over the 2002-2003 period. The bill would direct the Secretary to use $220 million to purchase a number of specified commodities that have experienced low prices during the 2000 or 2001 crop years, some of these commodities would be used for school nutrition programs.

Title II would provide $542 million for conservation programs, technical assistance, enrollment of additional acreage, and continuation of other agriculture programs. While the entire $542 million would be available for obligation in 2002, CBO expects that spending for these programs would occur over the 2002-2010 period.

Title III would provide $60 million in 2002 for nutrition programs, including bonus commodities under the Emergency Food Assistance Act of 1983. The bill would extend authority for a program of information and assistance concerning reimbursement options, which CBO estimates would cost less than $500,000 per year. In addition, CCC would be authorized to use $20 million to carry out the Seniors Farmers' Market Nutrition Pilot Program.

Title IV would provide $43 million for agriculture credit and rural development programs. The bill would make aquaculture operators and producers who have experienced high energy costs eligible for emergency loans.

Title V would provide $3 million for the sustainable agriculture technology development and transfer program. This title also would establish a new Senior Scientific Research Service within the Department of Agriculture. Although CBO has not completed an estimate of the costs of that provision, we expect that implementing it would probably cost less than $20 million a year, subject to appropriation of the necessary funds. Title VI would provide $59 million for disaster assistance for crop and pasture flood compensation, the purchase of floodplain easements, and for compensation to producers for forage losses due to army worms. Title VII would provide $4 million to establish a national organic certification cost-share assistance program to assist producers and handlers of organic products.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Changes in outlays	5,500	1,576	201	113	28	23	22	12	8	11	0
Changes in receipts	Not applicable										

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

The bill contains no intergovernmental mandates as defined in UMRA. State, local, and tribal governments would probably receive some of the assistance authorized by this bill. Any costs these governments might incur to comply with conditions of this assistance would be voluntary.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

S. 1246 would impose a private-sector mandate as defined by UMRA on tobacco producers. The bill would require producers of all types of price-support tobacco to have their tobacco graded at the time of sale by the federal government. The cost of the mandate would be the fee charged by the government to grade the tobacco. Many producers already have their tobacco graded under current law. The USDA expects to collect an additional $5 million in fees as a result of this mandatory grading requirement. Consequently, CBO estimates that the direct cost of the mandate would fall well below the annual threshold established by UMRA ($113 million in 2001, adjusted annually for inflation).

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